

The Australian

Aussie public policy? Dodgy, dodgy, dodgy

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CAN the NBN pip Joe Hockey for the top gong in dudding the dismal science?

WITH the end of the year fast approaching, frantic preparations are under way for the 2010 Dodgies, to be awarded, at a star-studded ceremony, for confused economics in the service of poor public policy.

This year's field is outstanding. Kevin Rudd and Wayne Swan's efforts with the resources super-profits tax have set a new benchmark in the public speaking category.

Treasury, despite a slow start, dominates the field in the figurative arts awards, thanks to its chart comparing mining profits with mining taxes (which forgot to include company tax payments) and its follow-up graph claiming to show that countries with large stimulus packages out-performed initial growth projections (which conveniently omitted all the countries that would have messed up the straight line through the dots). As for Penny Wong's explanation of why billions of dollars in tax increases constitute a spending reduction, betting markets show she has the guerilla poetry prize in the bag.

And who could pip Stephen Conroy and Lindsay Tanner from winning matching fairy wings for their discovery that "the results of a cost-benefit study depend on its assumptions"?

But even so, the outcomes are still wide open, as several late entries have surged to the front of the pack. Joe Hockey's bill outlawing "price signalling" puts the opposition in the running for the don't stop believin' category. With an entry like that, Hockey won't be wasting his money when he sends the monkey costume to the dry cleaners.

That said, there is a vicious rumour that he pinched the idea from the Australian Competition and Consumer Commission. But even without nabbing (so to speak) Hockey's statuette, Graeme Samuel need not fret about waiting out the night as a wallflower.

Rather, the ACCC is superbly placed in the let's-twist-again awards, thanks to its performance in first trying to force the major supermarkets (all two of them) to exchange price information and then, without batting an eyelid, seeking to prevent the major banks' CEOs from even whispering "mortgage rates" in public, because there are, after all, only four of them.

And Samuel has worked hard to get a "great help!" gold star for the Tanner-Conroy breakthrough in cost-benefit analysis. True, in eulogising their genius in a Senate committee, he forgot to mention an ACCC report contradicting the Tanner-Conroy line. With any luck, he can trade in that statuette for a lifetime supply of memory-enhancing drugs.

But it would be wrong to ignore the private sector. Yet again, the Australian rent-seeker has proven a world-beater in cloaking the most sordid of private interests in the highest of public purposes, the whole sprinkled with economic analysis as nonsensical as it is impenetrable.

As in 2009, climate change seems set to make a clean sweep of the gold in the self-serving argument category.

Last year, the carbonistas stormed the Mystery Box challenge with modelling that concluded that replacing cheaper generating technologies with more expensive ones would make us richer.

Such talent is not easily bested, but their opponents are no slouches. Soon enough, an avalanche of studies claimed that

unless permits were showered on emitters like manna from Kevin, no man, woman or child in this country would ever work again.

Forget all that rubbish about labour market flexibility keeping employment levels high even in the face of structural shocks! Rather, working families would have little option but to climb back into (unheated, non-airconned) trees, living on nuts and emissions permits as they waited out the economic apocalypse.

Julia Gillard's citizens' assembly, a junior master chef variant of the initial round, might have sustained that standard of entertainment. Unfortunately, the panels that have replaced it are same old, same old. But the players are not tossing in the towel. Why, only this week, the Clean Energy Council argued that a carbon price would be a less harmful shock to the Australian economy than sustained appreciation of the dollar. This, it says, is because appreciation of the dollar would reduce gross domestic product by even more than would a carbon price.

That will comfort pensioners as they struggle with rocketing electricity prices: "it could be worse, dear, the dollar could appreciate further, slashing Australia's GDP".

But to describe the council's analysis as half-baked would be an insult to frozen food.

This is not to disparage the report's authors, Access Economics. As Lenin famously said of Rosa Luxemburg, even an eagle can swoop low.

But the report seems to have forgotten Adam Smith's insight that "consumption is the sole end and purpose of all production": and our consumption does not only depend on how much we produce, but on how much the world pays for it.

When our terms of trade improve, strengthening the \$A, what we produce is worth more at world prices, while what we import is cheaper. That makes us better off. Conventional GDP might fall because it measures value in prices that lag the terms of trade. But that fall is irrelevant, for what matters is the gain in the real income.

In contrast, a carbon price could reduce both GDP and real national income. Little wonder the report doesn't even mention the income word, much less estimate the effects on incomes of a carbon price. And little wonder the council leads in the Dodgies' optical illusion category.

But save the best for last: NBN Co's business case, which takes the art of spin to the speed of light and beyond. It isn't even clear from the document quite how much the NBN will cost but planned spending has actually increased, from a mere \$43 billion to \$49.5bn. That works out at \$1.3bn per page of public justification: surely an Olympic record.

In fact, with fibre optics, transmitting the entire public justification for the NBN could take less than one-trillionth of a second. Think about it: one picosecond of information, and the Greens and independents sign off on the largest spending splurge in Australian history!

So let's settle it: the platinum Dodgie, in the coveted nihili circumcisi ("no corner left uncut") category, goes to NBN Co.

Now that's what I call a year of achievement.

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